

THE LEONARD LETTER

June 20, 2005

QUOTE OF THE WEEK

"What is the difference between a taxidermist and a tax collector? The taxidermist takes only your skin." --Mark Twain's Notebook

UNDER THE DOME

*****Don't Forget the Blue Pencil*****

The press is still not asking the right questions about the state budget. In a surprise move late last week the Democrats announced they would support Governor Schwarzenegger's education budget and drop their plans for a \$3 billion increase. So on Wednesday the Democrats brought up their version of the budget, which is now only about \$1 billion over the Governor's, but they got no credit for their concessions. Republican opposition prevented passage. I searched in vain for the breakdown of the \$1 billion overage. If it's a regular appropriation, then the Governor can blue pencil these items out and the Republicans might as well have passed the budget. But if any portion of that billion is locked in statute and not subject to the blue pencil, then the Republicans were justified in protecting the people and the Governor from an unbalanced spending plan. Even checking the Legislative Analyst's quick summary of the Democrats' proposal fails to show which items can be subject to the line-item veto. The Democrats would have been smarter to brief the Republicans and the non-partisan Analyst on these differences unless they are hiding something.

*****Revenuers and Borders*****

The revenuers, those who think Californians do not pay enough taxes, won a court victory last week against a company that can only be characterized as stupid. California retailers must collect sales tax. To be a California retailer, the business must have some nexus in California. The liberals have been trying for years to expand the definition of nexus. They are generally unhappy that catalog and Internet companies with no presence in California that take orders by mail, phone, or Internet and ship their products by mail or other carriers clearly do not have a California nexus.

In the middle of this ongoing struggle to define nexus, this stupid company, the bookstore Borders, created Borders Online as a separate company for Internet book sales. They share the company name and Online customers are allowed to use the California-based Borders stores for returning and exchanging books. Clearly, this did not pass the giggle test that they were really separate companies. The court giggled and ruled that Borders Online must collect the sales tax on all of its online sales to Californians and remit it to the Board of Equalization.

This has invigorated the revenueurs who are now looking to go after every other catalog and Internet retailer. However, the ruling itself does not write new law. It merely confirms that out-of-state companies who closely intertwine themselves with California-based operations will be subject to California sales tax law. Thanks to Borders Online, more companies that are truly without a California presence will be harassed and challenged by the revenueurs.

*****Silent Cheer*****

There must be a number of Democrats who are silently cheering that the Governor has called the special election. Not because they agree with him, but because without the special election these controversial ballot measures would be before the people at the same June 2006 primary election where their names will be on the ballot. A few of the measures cross party lines and it is harder to predict how the voters will react to them. One of these is the parental notice before a teen can get an abortion and another is the cost cutting of prescription drugs. Rather than risk the wrath of voters or special interest groups, many candidates would prefer to have the controversial issues settled in a special election where their names are not so visible. Of course, Republicans have the same reasons to cheer, but they are cheering loudly since they support the Governor's reforms.

*****Are Legislators Rich?*****

Many voters and opinion writers are outraged over the decision by the Citizens Compensation Commission to give California legislators a raise this year. They are already the highest paid in the nation and this action tacks on another \$11,000 annually. I am not defending the pay hike, but it is not fair for critics of that action to say that legislators do not work hard. I read one publication saying legislators only work four days a week for seven months of the year. Having done the job for 24 years I can tell you that those are not the hours. The legislature may be in session Monday through Thursday, but on Fridays and weekends legislators are back in their districts and their constituents expect to see them. They take meetings, give speeches, appear at events, and participate in many activities they are invited to by their district. Even when nothing seems to be getting accomplished in Sacramento, the committees are still meeting and legislators are still working bills. Weekends and vacations are rarely true downtime either. Since legislators vote on everything from taxes to agriculture to water to education, and since none of them are experts in all those subjects, there is also a lot of studying, reading and investigating to do. Then there is all the work, correspondence and projects generated by their staffs that must be reviewed. On top of that is the travel back and forth to Sacramento. You can argue about whether legislators deserve raises, or you can argue about the quality of their decisions, but you cannot assume that legislators do not work long hours, long days, long weeks, all year long.

ISSUE FOCUS

*****Students for Saving Social Security*****

As President Bush continues to plug away at much-needed Social Security reform, he is getting support from the very generation that stands to lose the most from the current system and gain the most from personal accounts. Students for Saving Social Security is a nonpartisan, grassroots campaign on college campuses around the nation. Some of these young people are experts on Social Security, some are not. But even those who are not are experts in what they know they need: personal accounts and no tax hikes. Check out their site and the blog that helps you understand the minds of our next generation of leaders: <http://secureourfuture.org/>.

*****Social Security Fact of the Day*****

For more on the Social Security debate, inform yourself with a Fact of the Day from Americans for Tax Reform. Every day the website www.atr.org offers a tid-bit to help inform the discussion. Recent facts—each backed up with citations and easy-to-understand charts—include these: the number of Americans over age 65 will grow from about 35 million now to 86 million when today's young workers retire; and the impact of lifting the wage cap would be a severe hit to stay-at-home-mothers.

MISCELLANY

*****A Good Read*****

One of the most impressive books I have ever read is “Modern Times” by Paul Johnson. Johnson writes amazing history books, weaving the familiar facts we know with the scientific, psychological and biographical information that gives them their full meaning. In this book, Johnson tells the story of the 1920s-1980s. Johnson begins by explaining the significance of Einstein's theory of relativity on the worldview of the time and then putting World War I into much clearer perspective than we normally consider. He walks us through the end of old Europe, the devastating effects of colonialism on Africa and Asia, and what he calls the United States' “attempted suicide” in the 1960s. What I most like about his re-telling of history is his rejection of the Marxist doctrine that says history is predetermined by forces of economics. Instead, he asserts that people have free will, for better or worse, to make decisions that affect their lives and make history. Johnson's focus on people who make decisions that then make history makes “Modern Times” a unique and intelligent look at our world today.

BOE AND LEGISLATIVE DATES

June 30-July 1, 2005 --- BoE meets in Sacramento.

July 4, 2005 --- Independence Day.

July 15, 2005 --- Legislature's summer recess begins, provided the Budget bill has been enacted.

August 15, 2005 --- Legislature reconvenes from summer recess.

August 31-September 1, 2005 --- BoE meets in Sacramento.

September 5, 2005 --- Labor Day.

September 9, 2005 --- Last day for any bill to pass the legislature; interim recess beings upon adjournment.

September 20-21, 2005 --- BoE meets in Culver City.

NOTABLE DATES/ HISTORY

June 20, 1782 --- Congress approved the Great Seal of the United States and the eagle as its symbol.

June 21, 1732 --- Martha Washington, the U.S. 's first First Lady, was born.

June 21, 1788 --- U.S. Constitution went into effect, as New Hampshire was the ninth state to ratify it.

June 22, 1497 --- Anti-tax insurrection in Cornwall was suppressed at Blackheath.

June 22, 1851 --- A fire destroyed part of San Francisco.

June 22, 1970 --- President Nixon signed the 26th amendment to lower the voting age to 18.

June 23, 1967 --- Jim Ryun set mile record of 3 min, 51.1 sec in Bakersfield, CA.

June 24, 1983 --- Sally Ride, the first female astronaut in space, returned to Earth after a six-day mission on the Space Shuttle Challenger.

June 25, 1638 --- A lunar eclipse became the first astronomical event recorded in the U.S.

June 25, 1835 --- The first building was constructed at Yerba Buena (now San Francisco).

June 25, 1950 --- The Korean conflict began when North Korea invaded South Korea.

June 25, 1982 --- San Francisco held its first county fair.

June 26, 1934 --- FDR signed the Federal Credit Union Act, creating credit unions.

June 26, 1945 --- The UN Charter was signed by 50 nations in San Francisco.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

HOW TO CONTACT ME

Bill Leonard, Member
State Board of Equalization, Second District
Email: bill.leonard@boe.ca.gov

Northern California Office:

400 Capitol Mall, Suite 2340
Sacramento, CA 95814
Telephone: (916) 445-2181
Fax: (916) 327-4003

Southern California Office:
4295 E. Jurupa Ave., Ste. 204
Ontario, CA 91761-1428
Telephone: (909) 937-6106
Fax: (909) 937-7044